

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER



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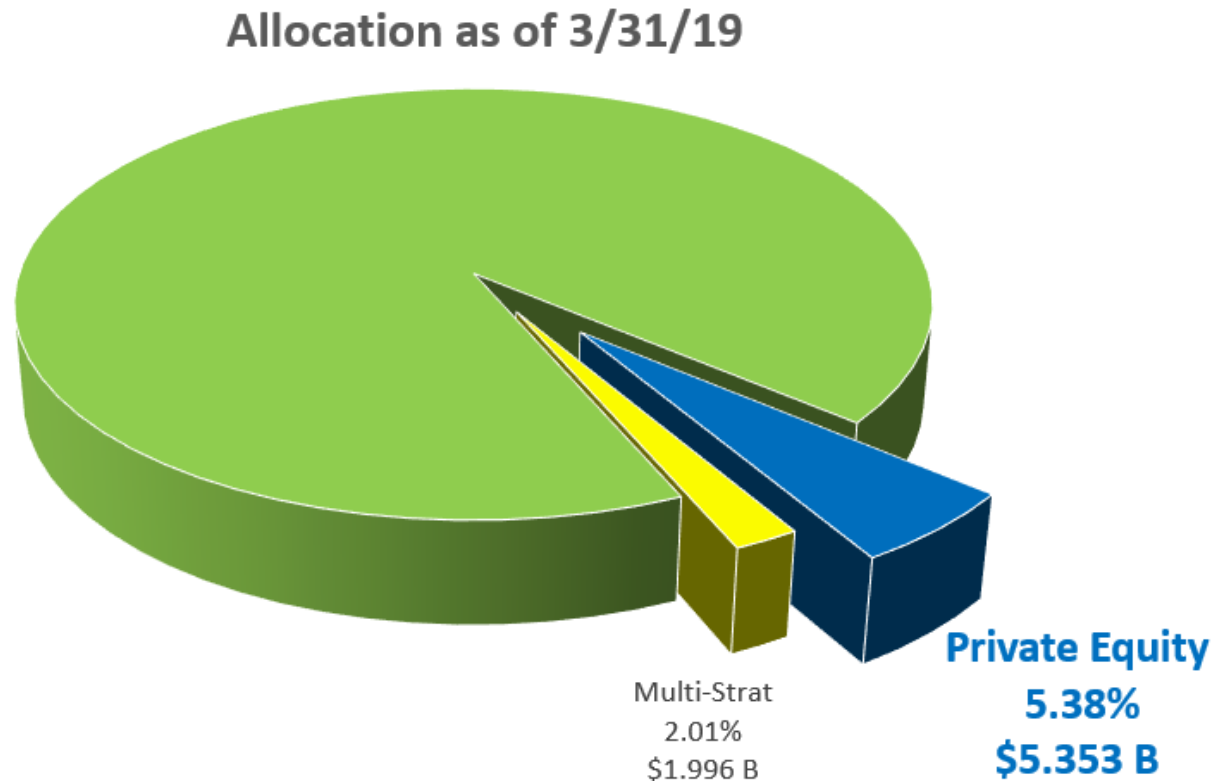
INVESTMENT MANAGEMENT DIVISION

Private Equity Update

May 22nd, 2019



Statutory Allocation



- Private Equity + Multi-Strat = 7.39% → below 8.75% Legislative cap
- Private Equity = 5.38% → below Policy Target of 6%

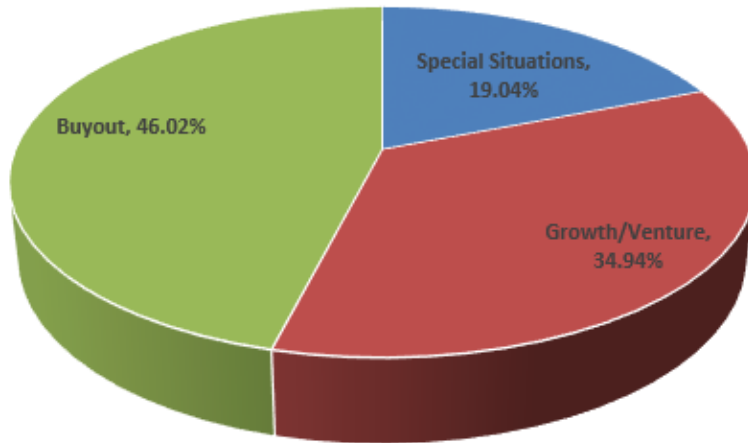


Performance

Private Equity Portfolio <i>Net of Fees as of December 31, 2018 or latest available</i>		<i>USD in Millions</i>		
		<i>Since Inception</i>	<i>Vintage '88 to '09</i>	<i>Vintage '10 to Present</i>
Number of Funds		149	98	51
Called Capital		\$9,550.4	\$5,462.7	\$4,087.7
Distributed Capital		\$7,910.5	\$6,331.9	\$1,578.6
DPI		0.83x	1.16x	0.39x
Residual Value		\$5,430.7	\$1,384.9	\$4,045.8
Total Value		\$13,341.2	\$7,716.8	\$5,624.4
TVPI		1.40x	1.41x	1.38x
Gain/(Loss)		\$3,790.8	\$2,254.1	\$1,536.7
IRR		8.67%	7.28%	14.70%
K&S PME				
S&P 500		0.97x	0.92x	1.12x
Russell 3000		0.97x	0.92x	1.13x
MCSCI ACWI		1.05x	1.00x	1.17x



Private Equity Composition



Policy Relative to Actual Portfolio Weights

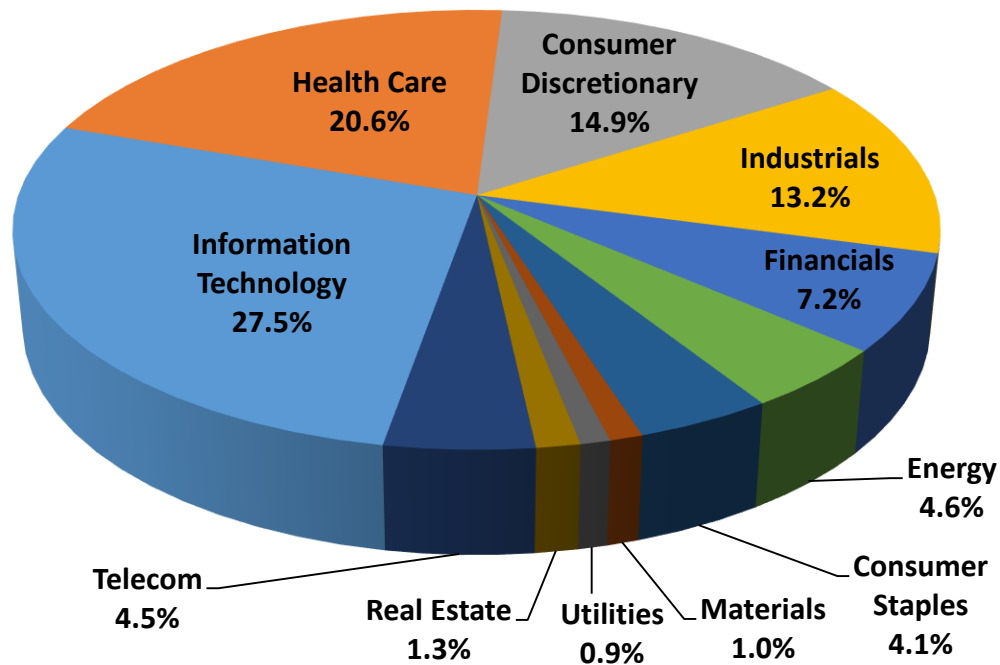
Strategy	# of Funds	Policy Range			Actual (3/31/2019)
		MIN	TARGET	MAX	% of FMV*
Buyout	41	35%	50%	65%	46.02%
Growth/Venture	40	10%	20%	30%	34.94%
Special Situations	20	15%	30%	45%	19.04%
Fund of Funds	12	-	-	-	-
TOTAL	113				100%

*Data includes Fund of Funds' underlying exposure cash flow as of most recently reported date

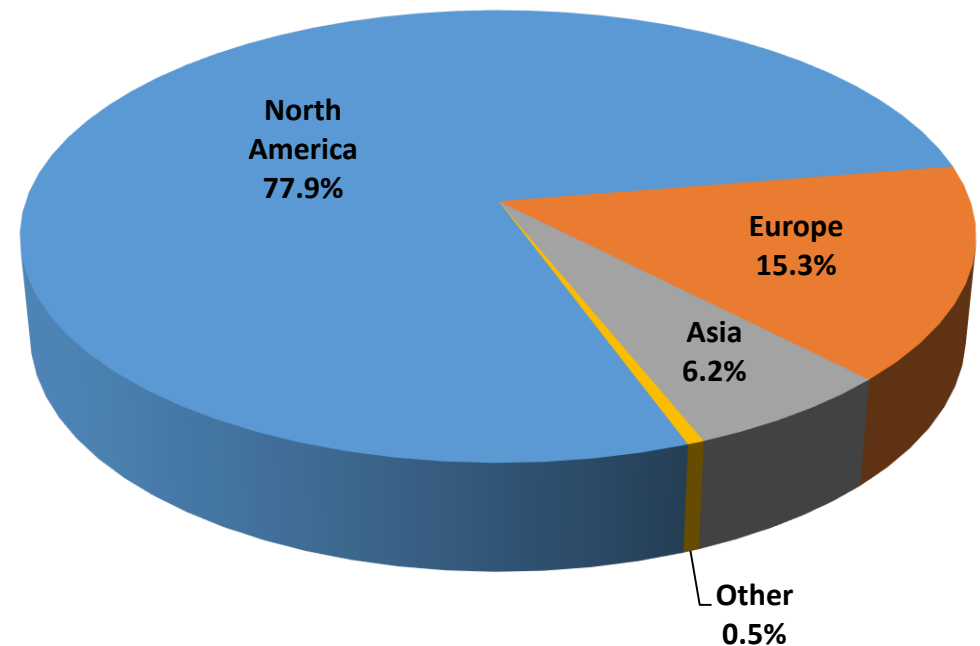


Private Equity Composition

GICS Industry Allocation*



Geographic Allocation*

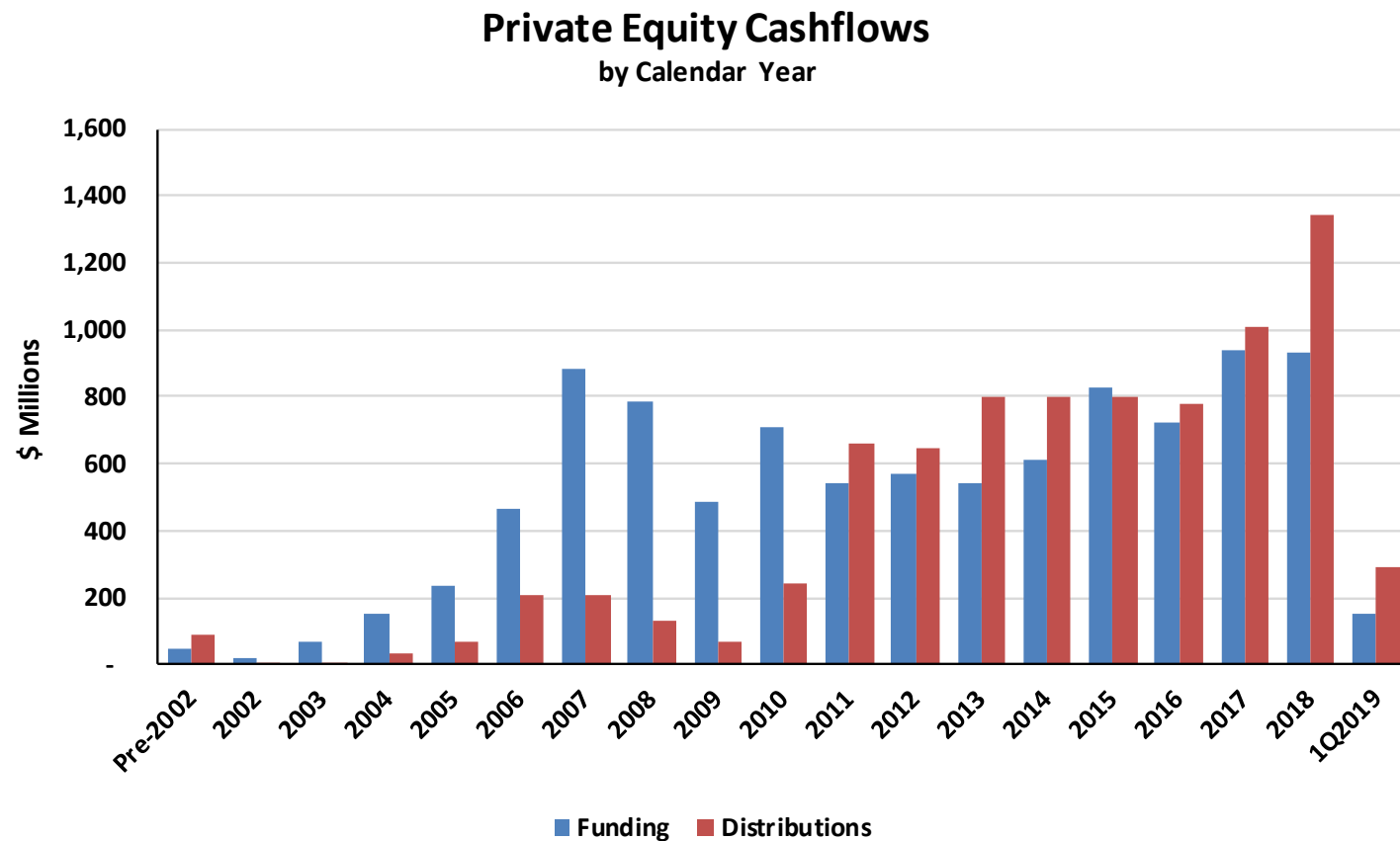


*Data includes Fund of Funds' underlying exposure (As of 12/31/2018 or most recently reported)



Private Equity Cash Flow Detail

- 7 out of the last 8 full calendar years, distributions have exceeded funding





Private Equity Co-investment Detail

Investment	Invested (\$M's)	Industry	Geography	Projected Hold	Investment Date	Base Case		Potential Savings (\$M's)		
						IRR	MOIC	Mgmt Fee	Carry	Total
BANFF	\$40	Software	USA	5	9/30/2018	19.4%	2.2x	\$4.0	\$8.8	\$12.8
Quarry	\$38	Insurance	USA	5	6/30/2018	16.4%	2.4x	\$3.8	\$10.0	\$13.8
Hulk+Betty	\$100	Industrials	N America	4	3/31/2019	20.6%	2.1x	\$8.0	\$19.8	\$27.8
Rainbow	\$40	Secondary	N Europe	5	1/31/2019	18.1%	2.2x	\$4.0	\$8.6	\$12.6
Talk	\$30	Social Media	Asia	2	2/28/2019	37.6%	2.8x	\$1.2	\$10.6	\$11.8
TOTAL	\$248					21.4%	2.2x	\$21.0	\$57.7	\$78.7

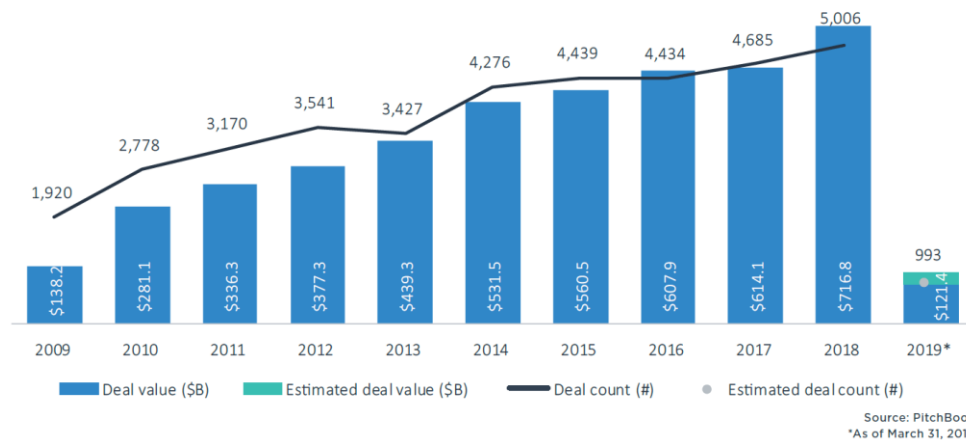
Note 1: Total IRR is a weighted average of the investment IRRs.

Note 2: Fee structure assumes a 2% Mgmt Fee and 20% GP Carry

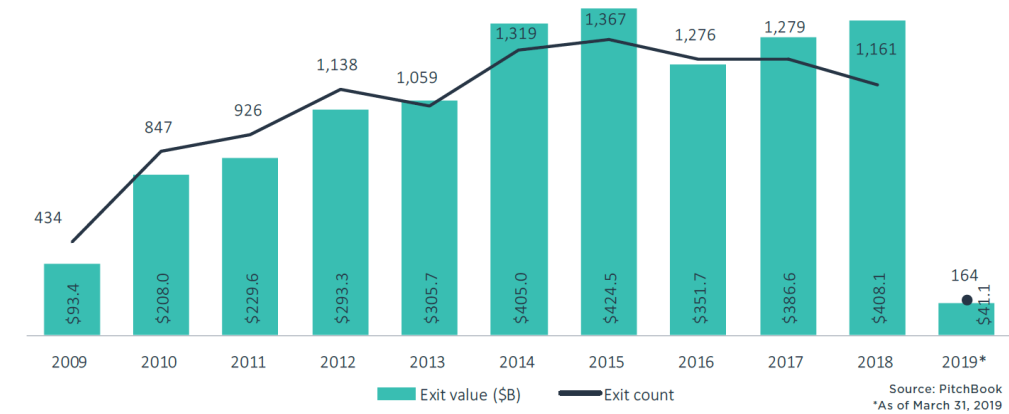


Market Trends – Buyout Activity

US PE deal activity



US PE exit activity



2019 off to a slow start

- both deal count and value declined more than 25% vs. 1Q18.
- 1Q19 exit activity declined sequentially more than 40%.

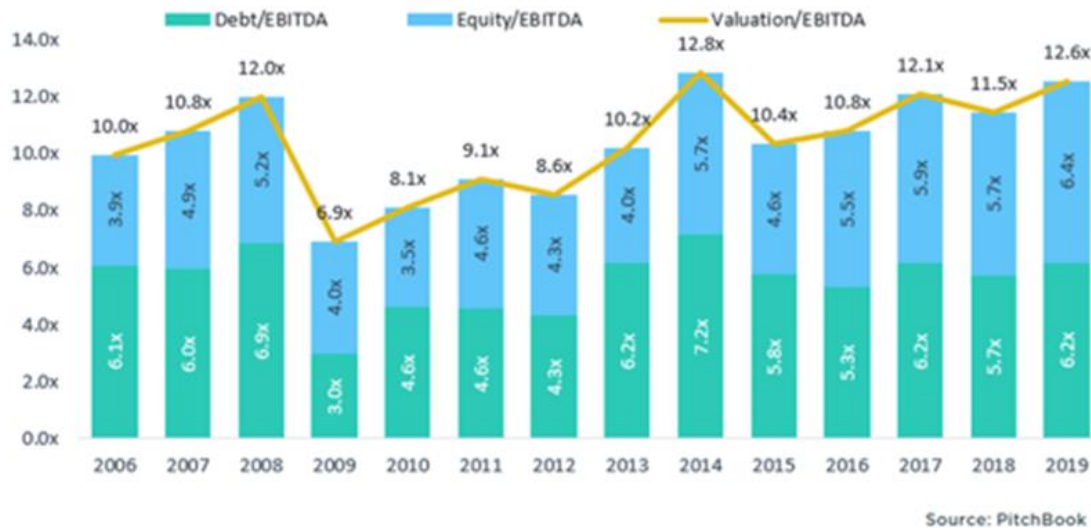
Deals typically take 12-16 weeks to close.

- Many 1Q19 transactions were negotiated during 4Q18's volatility.
- Likely caused GPs to hold onto investments due to negative valuation pressures.
- Expect higher levels of deal and exit activity .



Market Trends – Buyout Pricing

Median US PE Buyout EV/EBITDA Multiples



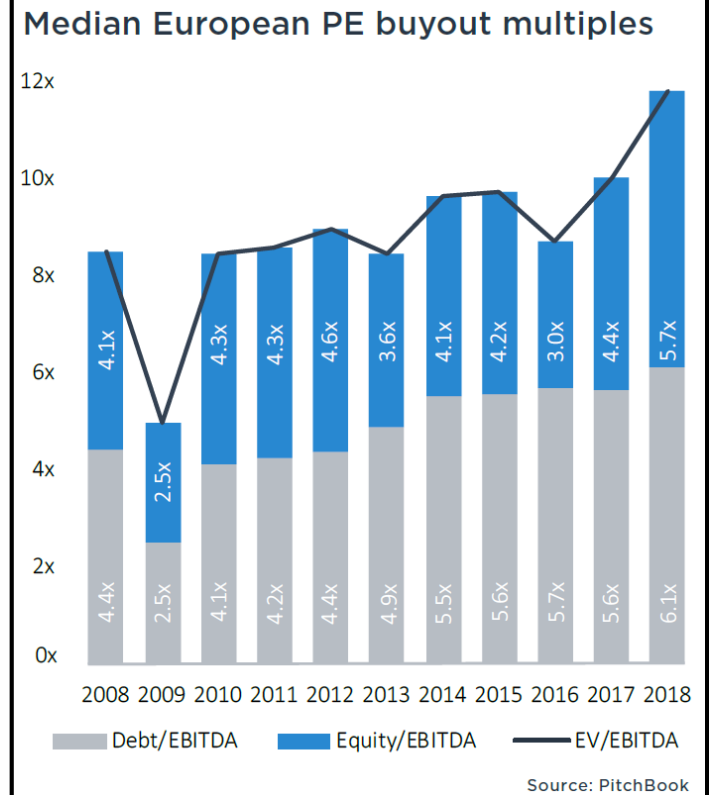
2018 multiples declined slightly, but 1Q19 up

61% of deals priced above 10x in 2018

- highest rate on record
- GPs targeting faster growing companies

Add-on acquisitions remain a theme.

- trend of outperformance by those using a higher rate of add-ons

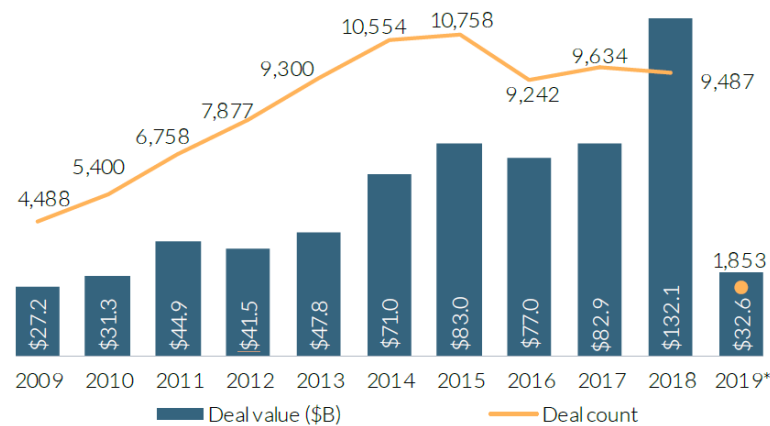




Market Trends – VC

Capital invested stays strong, despite tepid deal volume

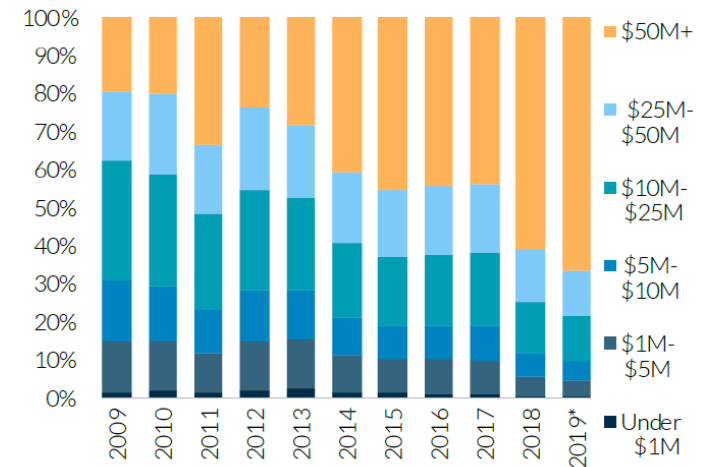
US VC deal activity



PitchBook-NVCA Venture Monitor
*As of March 31, 2019

\$50 million+ deals continue to take more share of total deal value

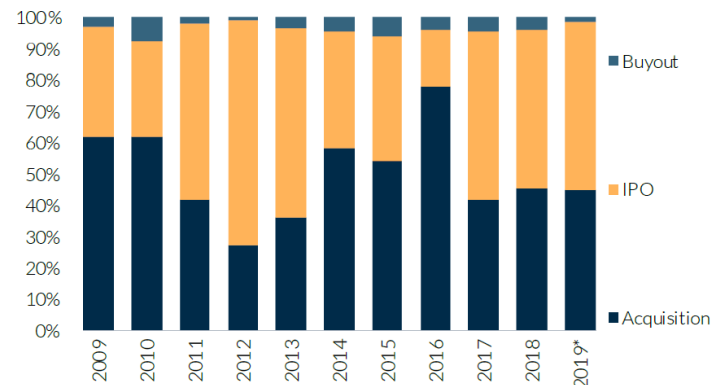
US VC deals (\$) by size



PitchBook-NVCA Venture Monitor
*As of March 31, 2019

IPOs proportion of exit value continues to hover around 50%

US VC exits (\$) by type



PitchBook-NVCA Venture Monitor
*As of March 31, 2019